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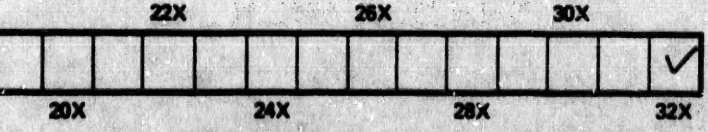

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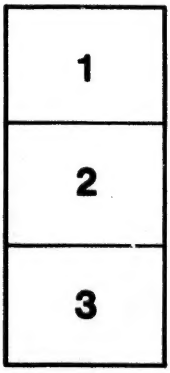

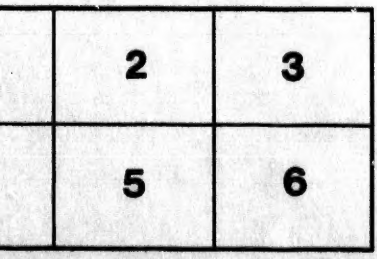

(CIRCULAR.)

Sir:—

The accompanying Evidence and Statements, from the order in which they were printed, may not be readily understood without further explanation; nevertheless, on examination you will find that each of those Tables afford detailed information on the points to which they allude—for instance, *on the subject of Taxation.*

Tables No. 9 and 10, pages 49 and 50, give the increase of *Customs Duties*, from 2½ per cent., for an average of three years before, to 5 per cent., for the same period, since the Union: they have now reached 12½ per cent.

Also, that District Taxes in Upper Canada, have been doubled, and in some instances trebled.

Table No. 14, page 55, shews the inequality of this Internal Tax, between Upper and Lower Canada.

No. 1, page 10, and No. 15, give the sources from which it is derived: and No. 16, page 59, the total amount of Revenue received in each year.

Comparative Amount of Taxes in Canada and in the U. States.

Tables No. 11 and 12, pages 51 and 52, give the relative amount paid by each individual, for an average of nine years, amounting, in the former, to 6s. 8½d., and in the latter, to 6s. 3½d., viz:—on Imports, 5s. 0½d., Excise, 5d., from other sources, 1s. 8d., for the support of *one* Provincial or local Government, *against*—on Imports, 5s. 8½d., for the support of an independent Government: Auction duty, &c., 3d., and a direct tax, 4d., for the support of a State or local Government: from which it appears, that the inhabitants of Canada pay *five pence* per head more, for the support of *one* Government, than those of the United States, for the support of *two*; although the whole Expenditure of the two Governments are about equal. The difference between the taxation and expenditure arises from the gain realised from the surplus toll, which is £0 tax.

Public Expenditure.

Table No. 6, page 44, gives the relative expenditure of the Civil Government of Upper and Lower Canada, before and since the Union. This will be clearly understood, because precisely the same duties were and are performed by each separate Government. *Then*, those two Governments cost £25,107—*now*, £40,415.

Amount of Proposed Reduction.

On Import or Customs Duties, £90,089. For details and full information, reference is made to Table No. 3, Letter C, pages 20 and 21. On general expenditures, £192 630. For details, and an outline of the proposed plan, which may be readily understood without wading through any other statements, reference is made to Table No. 5, and the documents alluded to from pages 34 to 48.

By some, this plan was pronounced impracticable: by others, that it made no reduction whatever, but was merely a change in the mode of taxation. Although pursuaded that but few would be deceived by this evasion, still, as members of Parliament and Editors have reiterated this opinion, I am bound to believe they so understand it. It is, therefore, my duty to enter more fully into this branch of the subject.

By keeping the division of the Revenue and Expenditures, as apportioned in Table No. 5, under three separate heads, steadily in mind, you will be enabled to understand the amount of tax paid, from what source, for what object it is proposed to be expended, and the relative duties or services performed.

For instance, we take up the first item—*the tax on Imports.* In Canada, this tax is expended for the support of a Provincial or local Government, and *internal* purposes, *having no duties appertaining to an independent Government to perform.* In the United States, the same tax is expended for the support of an *independent Government for external purposes*—The support of an Army and Navy, building Fortifications and Ships of War, Foreign Intercourse, and such other duties as appertain to an independent Government. Mr. Walker, in his celebrated Report of 1844, says, the amount of public debt paid by the Federal Government, for the Revolutionary War, before 1796, the purchase of Louisiana, in 1803, and for the War of 1812, exceeded $500,000,000—all of which was paid off before 1836, besides defraying the ordinary expenses of the Government, and leaving a surplus in the Treasury of $30,000,000, which was then deposited with the different States of the Union. Thus we can clearly understand the object for which Customs Duties are levied and expended, in the respective countries. In Canada and the adjoining States, the *Internal Revenues* are ex-

pended for Provincial or State purposes; having precisely the same duties to perform in each, viz: the management of their Internal affairs.

In the adjoining States, *local taxes* are levied on the inhabitants of a county, town, or locality, and expended for objects in which they are all equally benefitted. The same principle is proposed for Canada. The public has no interest in any expenditure made in a particular locality: for instance, the inhabitants of Montreal or Quebec have no interest in the amount of taxes imposed by the corporations of Kingston, Toronto, or Hamilton; neither has the county of Wentworth in the amount imposed in Lincoln, Glengary, or any other Municipality in Upper or Lower Canada.

Any locality may impose high or low taxes; they may expend much or little, without affecting persons residing out of that locality, and without impeding the commerce, or retarding the general wealth or prosperity of the country. Consequently, every farthing proposed to be transferred under the fifth column, Table 5, page 34, will be so much saved to the Provincial revenue, and so much less tax to be paid by the public. Apart from the saving, it is manifestly unjust to defray a general expenditure from a local tax. It is also impolitic, inasmuch as the command of additional revenue encourages extravagance. In Upper Canada, no difficulty exists in carrying the system into immediate operation; and in a very few years Lower Canada would be prepared with similar institutions. In the mean time, they have no direct or local taxes to provide.

Amount of Revenue and Expenditure Proposed for the Future Government of Canada.

For particulars, refer to page 35, Letter B.

The Government of the State of New-York, with a population of three millions of people, is supported from an internal tax of £140,000, and an expenditure of £130,000. See 12 and 13. The question for consideration is, whether it is not practicable to support a Government for half that number, by a tax of £463,087, and an expenditure of £350,000, as proposed under page 35, Letter B. The details of the expenditure of the Civil Government, will be found in Table 6, page 44. If one local Government expends for the support of her respective departments, only £10,000 per annum, is it not practicable for another Government, with the same duties to perform, to limit its expenses for the support of similar departments, to £18,000?

Again—take the *Administration of Justice*, Letter A, No. 4, pages 21 to 33. If the province of Nova Scotia expends £7,380; New Brunswick, £6,630; and *seven* State Governments together, only £23,816—ought not the sum of £25,000 for the expenditure of one Government, to be practicable, for the same service?

The expenditure under this head, for Canada, will be found to be £77,038—of which, £7,276 is secured in a fee-fund from the different districts. Therefore, the sum of £69,762 is paid from the Provincial Revenue.

It is unnecessary to adduce other instances: those noticed are quite sufficient to prove that there is a necessity for Retrenchment—that it is practicable—and that a large sum can be saved, by the proposed plan.

The first step in the attainment of ~~this object~~, is the *amendment of the Union Act*, to contain similar provisions to the Constitution adopted by the citizens of New-York, on the 9th October, 1846—which provides a Sinking Fund, to pay off the public debt.

This Sinking Fund may be created, either by appropriating the tolls from year to year to pay the interest, as in New York, as pointed out in statement No. 23, page 73; or to diminish the principal, and continue the duty on Customs, to pay the interest.

The only deviation from the Constitution of New York, is, in the application of this surplus toll. Instead of appropriating it, from year to year, as it arises, it is proposed to authorise the Government to borrow the money on the credit of this surplus fund, and to pay the interest and principal out of the same, to insure the completion of our unfinished Public Works at the earliest possible period—precisely the same provision which has since been recommended by the Governor of New York.

Another provision deprives the Provincial Legislature of the power of increasing the public debt, and restricts the expenditure of public money, unless sanctioned by an act of Parliament.

The necessity for this, is apparent. It has been alleged, that public improvement, and not the ordinary expenses of the Provincial Government, caused the excessive outlay, under the present system. It may be well to understand the true amount of this expenditure, and the value the public has received therefor. For instance—from 1842 to 1849, inclusive, by adding the returns from the public Accounts in 1850, we have the following result.

Consolidated Fund.

Gross amount of Customs Duties, - - -	£3,643,810
do. from Internal Resources, - -	1,016,447
Loan in 1849, to make up the deficiency in the ordinary Expenditure, - - - -	200,000
Net Territorial Revenue, - - - -	163,597
	£5,923,854

Territorial Revenue Fund.

Gross amount received in the Crown Lands Office, - - - - -	£910,663	
Less, paid Receiver General, - -	163,597	
		£747,066

Public Debt.

The amount appears, from the return of the present year, about - - -	£4,500,000	
Less, Loan, - - - - - -	200,000	
		4,300,000
Making the total amount received for the last nine years, - - - - - - - - -		£10,070,920
From which deduct the value of our Public Works,		3,000,000
Leaving the Expenditure, - - - - -		£7,070,920

Without including the amount of specific revenue derived from lands, (page 56;) nor does it include the Lunatic Asylum tax, Tavern Licenses, or any Municipal Assessment. The amount received from Public Works, last year, was only £53,000. Therefore, by the same rule the New-York canals are estimated, (see page 64,) the value of our Public Works would not exceed £1,000,000; but the entire expenditure on the Provincial Works, as shewn by the Report of 1849, is here assumed—which will cover the expenditure upon local and unproductive Works, since the Union.

If those returns are correct, there has been expended either for the support of the Government, or in some object which yields no return for the capital invested, *over* £800,000 *per annum*, since the union. This unprecedented expenditure, within so short a period, is conclusive proof that no Legislature should be entrusted with the appropriation of public money, without a Constitutional check. (See No. 18.)

It will appropriate the proceeds of public lands for the support of Common Schools and District Libraries, limiting the expense of sale to six per cent., and creating a Board of Management.

It will invest all capital derived from certain specific funds, in aid of Rail Roads, or other Public Works. It will make the proceeds of those lands effect a double object—to yield an interest, and furnish a certain resource for aiding useful improvements, without deviating in the slightest degree from the proposed policy, and without hazarding the payment of the public debt. For details, see Statement No. 17, page 60.

The practical operation of the system of finance, established in New-York, has already developed her resources to their fullest extent, and reduced the expenses of her Government to the most economical scale. In 1860, her commerce will be exempt from tolls, (except $686,000 for the support of the State Government,) and her citizens will be freed from every description of State tax. Why will not the same management insure the same result here? The great reduction we can make in our public expenditure, and the great additional revenue we possess, will enable us to pay off the public debt in a much shorter time. The public domain will realise an ample fund for all purposes of Education; Customs Duties will be diminished, and tolls increased, in proportion to the extent of the trade created. In truth, it will be difficult for the most sanguine to realise the amount of prosperity it would insure to this highly favored country.

At the same time, there are many difficulties to contend against. Any attempt at a reduction of the public expenditure, is at all times not only a Herculean task, but a most unpleasant duty; I am fully pursuaded, however, that it can be carried into successful operation, without any embarrassment to the Government, and with the same beneficial results which have been realized in the State of New-York. It is an object worthy of your attentive consideration: examine the statements with care; and if you concur with me in the opinion, that no reduction in the public expenditure of moment can be made, and if so made, its permanency cannot be relied upon without the proposed check in our Constitution, you will feel it a duty to give your earnest support in carrying it into operation.

Your obed't serv't,

WM. HAMILTON MERRITT.

St. Catharines, June, 1851.